

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 02-45

DATE PREPARED: May 22, 2002

STATE AGENCY: Family and Social Services Administration **DATE RECEIVED:** April 10, 2002

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Digest of Proposed Rule: This rule specifies that United States Savings Bonds are assets considered to be available for Medicaid eligibility determinations beginning on the date of purchase. The rule specifies how individual bond issues are to be valued. The rule further specifies that the rule does not apply to bonds purchased prior to the effective date of the rule, but that the rule does apply to these bonds six months after the effective issue date.

Currently, some applicants for Medicaid nursing facility benefits reduce their level of assets that are countable for Medicaid eligibility purposes by purchasing government savings bonds. U.S. Savings Bonds cannot be redeemed for six months after the date of purchase except for certain specific circumstances defined by the Department of the Treasury. Because bonds cannot be redeemed during this period, they have been considered as unavailable assets for Medicaid eligibility purposes. Some Medicaid recipients exploit this "unavailability" by purchasing bonds with assets that otherwise would be considered to be available to provide nursing home care prior to Medicaid eligibility. In addition, because of the manner in which Medicaid counts assets, only at the beginning of a month, bonds that mature during a month may be reinvested before the first day of the next month continuing the legal unavailable status of the assets. The Treasury Department imposes purchase limits by purchasing the bonds with co-owners and registering the bonds in the co-owner's names. Once the bonds mature at the end of the sixth month, it is not unusual for the owner to transfer a portion of the proceeds to another party. The Medicaid recipient avoids the Medicaid transfer penalty by transferring an amount that is less than the average cost of nursing home care.

This rule will allow OMPP to treat the purchase of U.S. Savings Bonds as a device similar to a trust in which the opportunity remains for a person to receive payments and the individual intentionally is making assets unavailable for use in order to qualify for Medicaid benefits.

Governmental Entities: This rule would reduce state and federal Medicaid expenditures by delaying the Medicaid eligibility of applicants who have assets that could be used to pay for nursing home care. The Office of Medicaid Policy and Planning (OMPP) estimates that the proposed rule could save approximately \$6.2 M in state General Funds in the first fiscal year. Savings are estimated to decline to \$1.07 M, or less, annually as applicants and recipients shift assets to other types of allowable shelters in order to qualify for Medicaid benefits.

There is no unfunded mandate on state or local governmental entities.

Regulated Entities: The impact of this rule change is upon individual Medicaid recipients as it affects the individual's eligibility determination for program benefits.

Information Sources: Melanie Bella, Assistant Secretary for OMPP, Donna Stolz Sembroski, (232-1282).